



## Introduction to USAID's and Sida's SME support activity (SSA)

October 2008

Note: All planned undertakings of USAID and the U.S. Government and Sida and the Swedish Government pursuant to SSA are subject to respective U.S. Government and Swedish Government regulations on foreign assistance. All planned undertakings of USAID and Sida pursuant to SSA are subject to the availability of funds of each respective donor and to further agreement between USAID and Sida. All dates related to SSA procurement and implementation are illustrative only.

**The overall objective of the SME Support Activity (SSA) project is to increase sustainable economic growth and employment in three sectors (wood processing, tourism, and "light industry"). This will contribute directly to poverty reduction in BiH**

Indicators: Statistics of unemployment and sector growth

The purpose of the project is to enhance the competitiveness of SMEs in targeted sectors by achieving the following outcomes:

- **Better functioning market systems for the three sectors.**
- **Increased capacity of Regional Development Agencies RDAs, business associations, chambers of commerce**
- **Improved SME policies in BiH (state, entity and canton level).**
- **For SMEs in the three targeted sector:**
  - **increased sustainable employment through sales and export growth**
  - **increased investment financed through credit institutions and/or equity capital**

Sida and USAID intend to use *competitive procurement* to award the contract for implementation of SSA. The contract value is expected to be up to \$21 million. The solicitation of the SSA procurement will be advertised in Tenders Electronic Daily ([www.ted.europa.eu](http://www.ted.europa.eu)), the Swedish procurement website and [www.FedBizOpps.gov](http://www.FedBizOpps.gov), the US government website for procurement opportunities. It is expected that a tender notice for SSA will be published in December, 2008. It is anticipated that SSA program will be operational by *Summer, 2009*. The SSA is envisioned as a five-year activity to be implemented as a three plus two year option.

The following sections are expected to be specified as the Contractor's responsibilities:

- ***make an in-depth assessment of the insufficiencies of the market system<sup>1</sup> of the 3***

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<sup>1</sup> Market system: the multi-player, multi-function arrangement comprising three main sets of functions (core, rules and supporting) undertaken by different players (private sector, government, BMOs, civil society, etc.)

*sectors mentioned above (to the extent possible making use of already existing studies and of knowledge attained in other related projects); implement a collaborative process where obstacles are discussed and prioritized based on input from relevant stakeholders; implement action plans for support of SME development including, but not limited to such areas as product development, market connections, financing, workforce development, etc.*

- *specifically address the question of sustainability. The assistance shall whenever possible be designed to favour long-term solutions which could be performed by or later taken over by existing BiH institutions and organizations*
- *analyse the possible consequences of the SAA and the EU accession for SMEs in BiH and integrate the results when activities are designed<sup>2</sup>*
- *establish a full-fledge system of indicators that will make it possible to track if the interventions lead to the expected results and serve as a basis for assessment of achieved results.*
- *partner with the RDAs in the implementation of specific activities such as: information dissemination, monitoring, coordination, prioritization of specific activities, implementation of specific projects in geographic areas where RDAs have predominant capacity.*
- *organize a bi-annual Coordination Meeting with representatives from Ministry of Foreign Trade and Economic Relations, Ministry of Finance, Entity Ministries and the Development Banks of both entities. The purpose is to exchange information and opinions in order to coordinate the SSA project activities with measures taken by BiH authorities.*
- *take into account the role of women in the SSA Program and ensure a more equitable sharing in project outcomes/outputs as appropriate; ensure equal opportunity principle in all project activities*
- *manage e grant fund that will be leveraged for activities across all of the above three sectors and used for development of public-private partnerships. The fund is expected to be around 15% of the total project amount. The contractor will be required to ensure clear, simple and transparent procedures.*
- *support environmental best practices in production, processing, value added transformation and marketing of products across all sectors SSA assistance.*

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through which exchange takes place, develops, adapts and grows. A construct through which both conventionally defined markets and basic services can be viewed.

<sup>2</sup> Examples of SME policy areas:

- promote research and development capacities (and funds) that would support development projects for SMEs. .
- promote on-the-job training policies (based on experience of countries within OECD)
- lay out plans for implementing a comprehensive infrastructure for product safety evaluation and certification, primarily for obtaining valid CE/ISO mark.
- lobby and promote for a better government relationship with private sector supporting organizations (chambers, clusters, RDAs and others)
- consider what can be achieved with enhancing the institutional capacities of MOFTER for being able to define sectorial policies within the scope of a possible wider SME/industrial policy for the whole of BiH.

**Feedback:** Interested BiH counterparts can submit their written comments regarding the above outlined SSA design through USAID BiH website: [sme@usaid.gov](mailto:sme@usaid.gov) and Swedish Embassy website: [www.swedenabroad.com/Page\\_61800.aspx](http://www.swedenabroad.com/Page_61800.aspx) . Please note that while your comments will be reviewed by Sida and USAID and might be taken into account for the design of SSA, Sida and USAID will not be able to provide you with feedback regarding your comments or answer your specific questions.